

# FISCAL NOTE

**Bill #:** HB0755 **Title:** Tax credit for university system tuition increases  
**Primary Sponsor:** Wanzenried, D **Status:** As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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## Fiscal Summary

	<b><u>FY 2004</u></b> <b><u>Difference</u></b>	<b><u>FY 2005</u></b> <b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$0	\$0
<b>Revenue:</b>		
General Fund	\$(4,257,982)	\$(9,754,618)
<b>Net Impact on General Fund Balance:</b>	\$(4,257,982)	\$(9,754,618)

<input type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input type="checkbox"/> Needs to be included in HB 2

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill provides a tax credit against individual income taxes for an increase in tuition costs above the level of tuition cost in the fall term of 2002. This credit applies to any unit of the Montana university system. The credit may be claimed by taxpayers who pay their own tuition, or by a taxpayer who pays the tuition for a dependent of the taxpayer.
2. The credit provided for in this bill is a refundable credit; that is, any amount of the credit in excess of the taxpayer's tax liability must be refunded to the taxpayer. This credit applies equally to both resident and nonresident students and taxpayers; that is, nonresident students who are taxpayers and nonresident parents who pay tuition for either resident or nonresident students would be eligible to receive a refundable credit under this bill.
3. This act is effective on passage and approval, and applies retroactively to tax years beginning after December 31, 2002.
4. Based on information provided by the Commissioner of Higher Education, taxpayers will qualify for tax credits totaling \$4,257,982 during tax year 2003, and \$9,754,618 during tax year 2004.
  - Tuition is assumed to increase by 10 percent each year after summer 2003.
  - Enrollment growth is estimated at 2 percent each year.
5. This will reduce revenue to the general fund by an equivalent amount in fiscal years 2004 and 2005, respectively.

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(continued)

6. There are no appreciable increases in administrative expenses for the Department of Revenue under this bill.

FISCAL IMPACT:

	FY 2004	FY 2005
	<u>Difference</u>	<u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$(4,257,982)	\$(9,754,618)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$(4,257,982)	\$(9,754,618)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.

LONG-RANGE IMPACTS:

Revenues to the state general fund will be reduced by ever increasing amounts in all future fiscal years as the disparity between current tuition charges and charges in the fall of 2002 grow.

TECHNICAL NOTES:

1. This fiscal note assumes that the full amount of the increase in tuition from year to year will be claimed as a tax credit. To the extent that some taxpayers do not file a claim for the credit, the impacts in this fiscal note would be reduced.
2. The credit provided for in this bill is a refundable credit. To the extent that the credit exceeds the taxpayer's tax liability, the excess is reportable as taxable income for federal income tax purposes.